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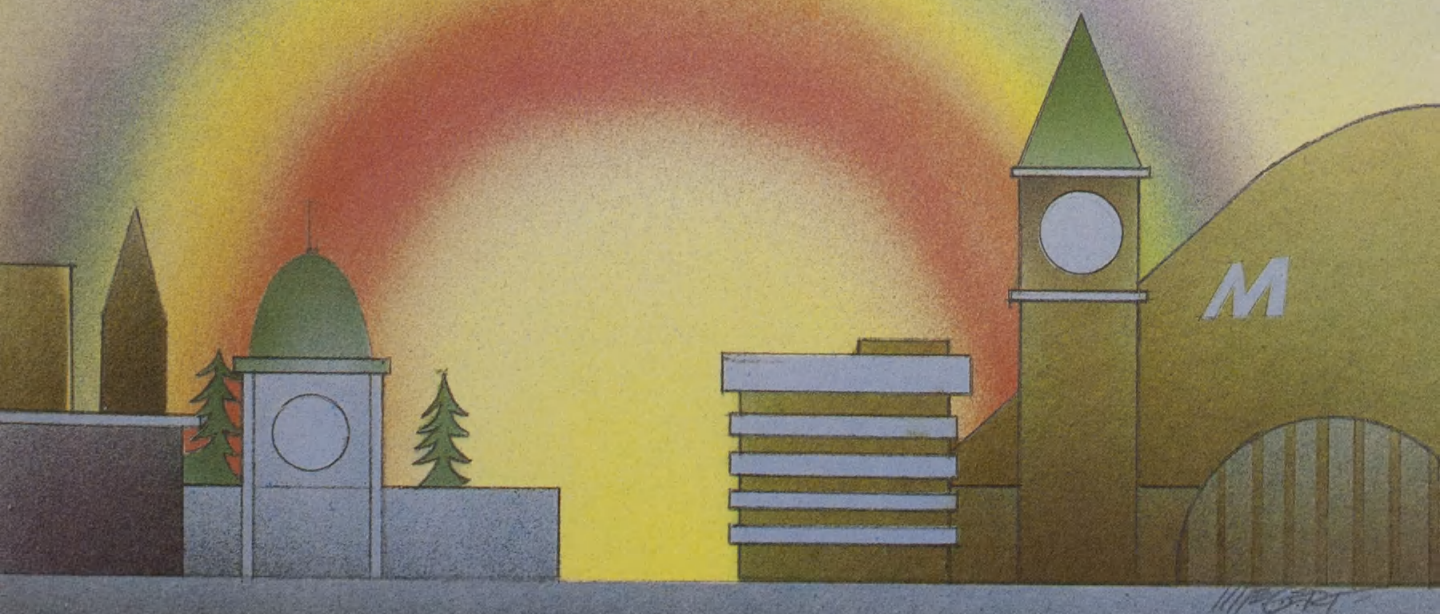
# MONTANA BUSINESS QUARTERLY

Archives

Volume 26, Number 3

Autumn 1988

## The University of Montana and Missoula: Economic Interdependence







# MONTANA BUSINESS QUARTERLY

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*Cover illustration by Neal Wiegert, University of Montana Graphics*

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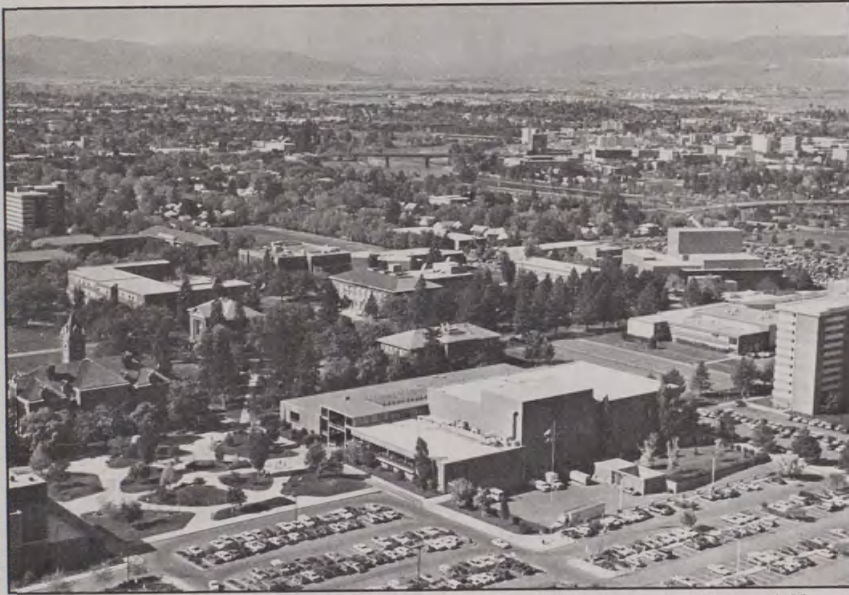
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UM photo by Howard Skaggs

# The University of Montana and Missoula: Economic Interdependence

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By Paul E. Polzin, Mary L. Lenihan  
and Caroline Haefele

There was a time when many people regarded institutions of higher education as enclaves within their communities—separate societies that had minimal contact with those outside the walls of academia. The separation between “town and gown,” however, hindered each side from understanding their interdependence. Fortunately, this perception has changed. Society now recognizes the importance of higher education, and most communities value the important educational opportunities and economic benefits their local colleges and universities have to offer.

Despite this budding awareness, local community leaders have often had difficulty measuring a university’s economic impact. Precise measures of its impact on a community are rarely available. Furthermore, the degree of economic impact depends on variables such as the number of local versus non-local students; the number of university employees; institutional spending in the immediate community; the number of out-of-town visitors who spend money locally when attending special campus events, or when visiting friends and relatives who are students or campus employees.

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## The University's Impact on Missoula's Economy: A Summary

Obtaining such information is difficult at best and the University of Montana's situation is no different. Over the years, various officials, both on- and off-campus, made "ballpark" estimates of the university's economic importance to the Missoula community. These efforts were undertaken on an ad hoc basis, however, and the lack of professional expertise and methodology yielded sketchy results.

In 1986, the University of Montana Foundation arranged for the UM Bureau of Business and Economic Research to conduct such a study. The project's goals were twofold: to provide benchmark estimates of the university's economic impact on the Missoula community, and to provide the underlying framework needed for future updates of the estimates.

With the Foundation's sponsorship, the Bureau began collecting data in late 1986 by surveying season-ticket holders to UM athletic events and by conducting entrance surveys at UM basketball games. In spring 1987, the Bureau surveyed faculty, staff, and student spending and examined institutional expenditures. The Bureau released preliminary survey results in September 1987. In the fall of 1987, the Bureau conducted surveys at UM football games to round out the data collection and enable researchers to complete the study.

The following summary provides a brief overview of the results. The sections that follow the summary provide greater detail about each component of the study.

The University of Montana is vital to the Missoula-area economy. With more than 1,300 employees, the university is one of the area's largest employers. The more than 8,000 students are a critical source of income to local retail and service establishments. The spending by employees and students circulates throughout the Missoula economy, accounting for an important share of overall economic activity.

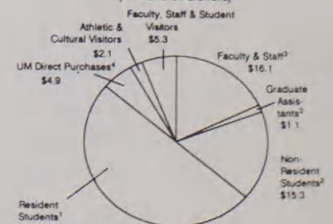
To assess its economic impact, Bureau researchers first reviewed the University of Montana's importance to Missoula County's economic base. Then, to measure the university's economic activity, the Bureau staff surveyed UM faculty, staff, students, and other campus visitors to determine their expenditures in Missoula during the 1986-87 academic year. The staff also analyzed more than 16,000 UM purchases made from Missoula merchants during 1986-87.

The study found that:

- The University of Montana and the trucking—or motor carriers industry—run second to the wood products industry as the most significant contributors to Missoula's economic base.
- The household income of UM faculty and staff averaged \$35,300 in 1986-87, with about 70 percent of that income attributable to the university.
- Faculty and staff spent more than \$16 million in Missoula County in 1986-87.

- About 46 percent of UM students during 1986-87 were from outside Missoula County.
- Resident-student households spent almost \$45 million in Missoula County in 1986-87.
- Nonresident student households spent more than \$15 million in Missoula County in 1986-87.
- The university attracted more than 25,000 nonresident visitors to cultural and athletic events in 1986-87. Many of these nonresident visitors made purchases from Missoula merchants, totaling approximately \$2.1 million in 1986-87.
- During 1986-87 the university spent nearly \$5 million in the local economy on items such as food, wholesale trade purchases, utilities, and professional services.
- Persons visiting UM faculty, staff, and students spent about \$5.3 million in Missoula in 1986-87.

Figure 1  
University of Montana Expenditures  
in Missoula County  
1986-1987  
(Millions of Dollars)



Source: University of Montana, Bureau of Business and Economic Research; UM Impact Study, unpublished data (Missoula, MT, 1987).

<sup>1</sup>Resident students living in Missoula County when not attending UM. Includes student household expenditures.  
<sup>2</sup>Non-resident students living outside Missoula when not attending UM. Includes student household expenditures.  
<sup>3</sup>Faculty, staff, and graduate assistants' expenditures include only those attributable to UM income.  
<sup>4</sup>UM direct purchases include only those expenditures made to businesses with a Missoula County address.



## The University's Contribution to Missoula's Economic Base

The importance of the University of Montana to Missoula's economy is best examined by looking at the university's contribution to the local economic base. Labor income is used to examine an area's economic base because it provides a unit of measurement that is available to all industries. Labor income includes the wages and salaries, property income, and certain fringe benefits accrued by workers. The latest available data for labor income in Missoula County is from 1984.

The advantage of using labor income to analyze the economic base is that it is a common unit of measurement that puts the various basic industries into perspective with one another. The disadvantage of this approach is that it does not reveal one of the most important links between the university and Missoula's economy—the local spending by students, faculty, staff, athletic and cultural visitors, and the university itself. This omission was, in fact, a major stimulus for this study.

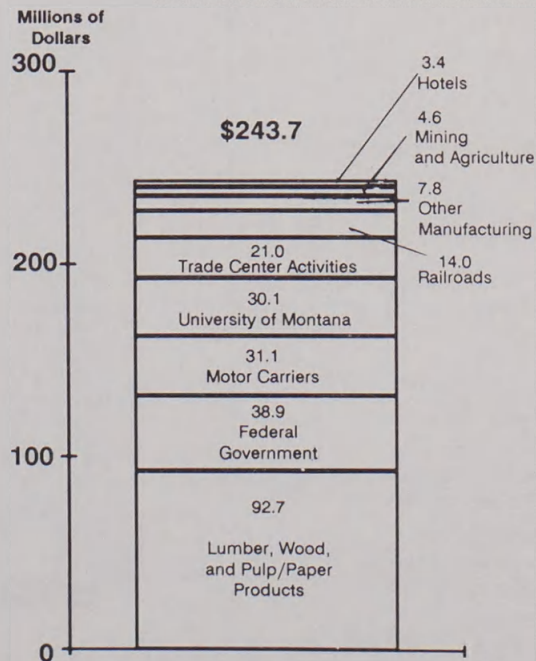
The University of Montana is one of Missoula County's basic, or export industries, because its support comes primarily from outside the area. Its funding largely consists of taxpayer dollars that are allocated by the Montana Legislature and tuition fees paid by students, many of whom are nonresidents of Missoula County.

As shown in Figure 2, the University of Montana and Missoula's motor carriers industry each provide roughly 12 percent of all labor income in Missoula County. These two industries are

both second in economic importance, however, to the private wood products industry in the Missoula area. When the labor income in Missoula's private wood products industry is combined with that of the U.S. Forest Service (which is classified in the federal civilian category), forest resources account for more than one-half of Missoula's economic base. The forest resources, the University of Montana, and the motor carriers industry together account for more than 75 percent of Missoula's economic base.

*The forest resources, the University of Montana, and the motor carriers industry together account for more than 75 percent of Missoula's economic base.*

Figure 2  
Labor Income in Basic Industries  
Missoula County  
1984



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Montana Department of Labor and Industry; and University of Montana, Bureau of Business and Economic Research.



## Faculty, Staff, and Graduate Assistants' Expenditures

Bureau researchers analyzed the expenditures of UM employees. These estimates include only the spending that is directly related to income from the university. The estimates do not include:

- The income of working spouses who are not employed at the university.
- The consulting income of faculty and staff.
- Interest, dividends, and rent.
- Secondary, off-campus jobs by faculty and staff.
- Work-study jobs and other student income earned from the university. These expenditures are included in the student spending survey.

### Highlights

- The data show that faculty and staff household incomes averaged \$35,300 in 1986-87. About 70 percent of that income was attributable to the university.
- Two-thirds of faculty and staff households had two or more wage earners.
- The data also document UM employees' strong ties to the Missoula community.
  - One-third of faculty and staff households have children in Missoula area schools.
  - The average faculty member has been at the university almost eleven years.
  - The average staff person has worked at the university for six years.

- Faculty, staff, and graduate assistants spent almost \$7.9 million at Missoula's retail trade

centers in 1986-87, and another \$2.1 million for services.

Table 1  
Estimated Missoula Expenditures by  
Faculty, Staff, and Graduate Assistants  
1986-1987

Expenditure Category	Faculty and Staff	Graduate Assistants
Retail trade establishments	\$7,343,800	\$ 501,900
Apparel and department stores	819,400	62,400
Vehicle purchases (car/truck)	1,602,000	67,100
Gasoline and vehicle service	834,700	72,400
Furniture and appliances	527,800	43,100
Eating and drinking places	527,800	46,900
Food stores	2,267,900	157,200
Other retail trade establishments	764,200	52,800
Services	1,939,400	87,600
Motels and lodging places	15,300	1,100
Theatres, golf courses, and other recreation services	187,200	15,400
Medical, dental, vision	807,100	37,100
Lawyers and accountants	138,100	3,800
Child care	193,300	16,100
Business and professional services	217,900	8,900
Plumber, electrician, and repair services	273,100	3,400
Other services	107,400	1,800
Utilities (water, gas, phone, electric)	1,126,300	77,700
Garbage collection and cable T.V.	178,000	6,600
Housing (mortgage and rents) <sup>1</sup>	3,741,000	275,200
Charitable donations	430,000	9,100
Transportation (bus, airline tickets)	478,700	43,600
Other Missoula expenditures	896,100	48,200
TOTAL	\$16,133,300	\$1,049,900

Source: University of Montana, Bureau of Business and Economic Research, Survey of UM Faculty, Staff, and Graduate assistants, unpublished data (Missoula, MT, 1987).

<sup>1</sup>Excludes payments for special improvement districts (SIDS), UM dorms, and UM married housing.

## Student Expenditures

The local spending by students is an important economic link between the university and Missoula. Estimates of local expenditures were based on a survey of UM students conducted during spring quarter 1987.

For those students living alone, with parents, or with unrelated roommates, researchers considered only the students' expenditures. For students living with a spouse and/or children, researchers looked at total household expenditures.

### Highlights

- In 1986-87, about 54 percent of the 8,500 students called Missoula County home when they were not enrolled at the university.
- Resident-student households spent almost \$30 million more than nonresident student households, but nonresidents still accounted for more than \$15 million in expenditures in 1986-87.

Table 2  
Characteristics of Student Respondents

	Nonresident	Missoula Residents
Credit hours	14.7	12.1
Class standing		
Freshman	20.8%	11.9%
Sophomore	25.6%	14.6%
Junior	22.4%	19.9%
Senior	17.6%	26.5%
Graduate	13.6%	27.1%
Marital status		
Married	13.2%	27.6%
Not married	82.2%	68.4%
Live off-campus	66.3%	87.0%

Source: University of Montana, Bureau of Business and Economic Research, UM Impact Study, unpublished data (Missoula, MT, 1987).

Note: Distribution of the sample based on credit hours, class standing, residence, and other demographic information compares favorably with the actual UM student population. Thus, the survey results are representative of the UM student population.

Table 3  
Estimated Expenditures by Student Households  
Missoula County  
1986-1987

Expenditure Category	Nonresident	Missoula Resident <sup>2</sup>
Retail trade establishments	\$ 9,918,700	\$19,036,400
Apparel and department stores	1,336,300	2,908,700
Vehicle purchases (car/truck)	2,129,500	3,834,400
Gasoline and vehicle service	1,389,900	2,453,900
Furniture and appliances	346,600	778,100
Eating and drinking places	1,161,200	2,433,900
Food stores	2,494,000	5,865,300
Other retail trade establishments	1,061,200	762,100
Services	1,811,300	8,973,400
Motels and lodging places	46,400	47,900
Theatres, golf courses, and other recreation services	382,300	762,100
Medical, dental, vision	736,000	4,492,700
Lawyers and accountants	14,300	1,185,000
Child care	75,000	502,700
Business and professional services	325,100	801,900
Plumber, electrician, and repair services	39,300	881,800
Other services	192,900	299,300
Utilities (water, gas, phone, electric)	1,579,300	3,136,100
Garbage collection and cable T.V.	92,900	351,100
Housing (non-UM mortgage and rents) <sup>1</sup>	1,168,400	9,204,900
Charitable donations	146,500	614,500
Transportation (bus, airline tickets)	339,400	1,895,300
Other Missoula expenditures	221,500	1,651,900
TOTAL	\$15,278,000	\$44,863,600

Source: University of Montana, Bureau of Business and Economic Research, Survey of UM Students, unpublished data (Missoula, MT, 1987).

Note: Student households include spouse and/or children living with student, or only the student if he/she lives alone, with parents, or with an unrelated roommate.

<sup>1</sup>Excludes payments for special improvement districts (SIDS), UM dorms, and UM married housing.

<sup>2</sup>Students who reside in Missoula County when not attending the University.



# The Analysis of Local UM Expenditures

Table 4  
Direct Purchases by the University of Montana  
from Missoula Businesses  
1986-1987

Expenditure Category	Auxiliary Services <sup>1</sup>	Appropriated, Designated, and Restricted Funds
Retail trade establishments	\$ 193,700	\$282,200
Apparel and department stores	7,200	68,500
Gasoline and vehicle service	4,200	21,600
Furniture and appliances	8,600	23,300
Eating and drinking places	3,800	17,800
Food stores	152,300	8,800
Other retail trade establishments	17,600	142,200
Wholesale trade establishments	593,700	286,000
Manufacturing establishments	230,400	337,300
Services	166,400	642,300
Motels and lodging places	100	47,100
Medical, dental, vision	41,600	28,100
Lawyers and accountants	500	500
Business and professional services	123,100	429,800
Plumber, electrician, and repair services	1,100	136,800
Utilities (water, gas, phone, electric)	583,000	1,216,100
Other Missoula expenditures	27,600	88,300
Transportation (bus, airline tickets)	11,200	266,000
TOTAL	\$1,806,000	\$3,118,200

Source: University of Montana, Bureau of Business and  
Economic Research, UM Impact Study, unpublished data  
(Missoula, MT, 1987).

Note: Includes only those expenditures made to businesses with  
a Missoula County address.

<sup>1</sup>Auxiliary Services include the University bookstore, food service,  
and other services that are not financed by the state.

Direct purchases by the university from local merchants are another connection to the local economy. Bureau researchers searched the computer records and identified more than 10,000 UM transactions with local merchants during 1986-87. Together these transactions totaled almost \$5 million.

## Highlights

- The UM Auxiliary Services, which includes the bookstore, food service, and other services that are self-supporting, spent \$1.8 million on purchases from Missoula merchants.
- The university purchased goods (furniture and food) and services (medical, professional, and business) from local merchants.

## Visitors to the University's Athletic and Cultural Events

**A**thletic and cultural events draw out-of-town visitors to campus, and the local expenditures of these visitors represent yet another tie between the university and Missoula's economy. To estimate the local expenditures of these visitors, Bureau researchers first conducted entrance surveys at selected athletic and cultural events to determine whether ticket holders

were residents or nonresidents of the Missoula area. Second, a mail survey of nonresident Grizzly season-ticket holders was conducted to estimate expenditures. Finally, the spending by all nonresident visitors was assumed to be identical to that of season-ticket holders, and estimates of total expenditures were derived.

The figures reported in Table 5, reflect the Missoula expenditures

by visitors attending football games, men's and women's basketball games, and productions sponsored by the Department of Drama/Dance (such as *Charley's Aunt* and *A Chorus Line*). The expenditures of nonresidents attending the Performing Arts Series, University Center events, conventions, short courses, and other events conducted on the UM campus are excluded.

### Highlights

- Approximately 8,500 nonresidents came to Missoula to attend football games during the 1987 UM football season—the first full year in the Washington-Grizzly Stadium. This figure does not include the attendance at the Grizzly-Bobcat game that was played in Bozeman.
- About 16,000 visitors came to Missoula for men's and women's basketball games in 1986-87.
- Productions sponsored by the Department of Drama/Dance drew about 2,400 nonresident visitors in 1986-87.
- Visitors to UM athletic and cultural events spent more than \$2 million in Missoula in 1986-87.
- The estimated expenditure of \$655,000 at department and apparel stores suggests that visitors combine their visits to campus with shopping at Missoula stores. They may use the trip to Missoula to conduct some of their routine shopping.

**Table 5**  
**Estimated Expenditures by Nonresident Visitors, Selected Athletic and Cultural Events**  
**Missoula County—1986-87**

Event	1987 Football <sup>1</sup>	1986-87 Men's & Women's Basketball	Drama/ Dance Events <sup>2</sup>	Total
Apparel and department stores	\$227,000	\$ 392,000	\$36,000	\$ 655,000
Eating and drinking establishments	222,000	353,000	20,000	595,000
Motels and lodging places	155,000	223,000	2,000	380,000
Food stores, gasoline, and vehicle services	78,000	137,000	13,000	228,000
All other Missoula expenditures	75,000	146,000	21,000	242,000
<b>TOTAL</b>	<b>\$757,000</b>	<b>\$1,251,000</b>	<b>\$93,000</b>	<b>\$2,100,000</b>

Source: University of Montana, Bureau of Business and Economic Research, Survey of Athletic Season Ticket Holders, unpublished data (Missoula, MT, 1987).

<sup>1</sup>Based on attendance during 1987 football season.

<sup>2</sup>Excludes UC events



## Visitors of Faculty, Staff, and Students

A final economic link between the university and the Missoula economy is the local spending by persons visiting faculty, staff, and students. The surveys reported earlier requested faculty, staff, and students to estimate the Missoula expenditures that were made by their out-of-town guests. These figures included, for example: the spending by friends visiting faculty members; by parents visiting students; or by other persons stopping over in Missoula and staying at a UM household. The expenditure estimates presented in Table 6 should be interpreted cautiously because they rely on the respondents' recollections and estimates.

### Highlights

- Friends and relatives visiting faculty, staff, and graduate assistants, made local expenditures of about \$1.3 million in 1986-87.
- The visitors of resident students spent more than \$2.6 million during their stay in Missoula.
- Persons visiting nonresident students (which would include parents) purchased almost \$1.5 million from Missoula merchants during 1986-87. □

Table 6  
Estimated Missoula Expenditures  
Visitors of Faculty, Staff, and Students  
1986-87

Item	Estimated Expenditure
Faculty, staff, and graduate assistants	\$1,305,000
Students	4,052,000
Missoula residents	2,601,000
Nonresidents	1,451,000
TOTAL	\$5,357,000

Source: University of Montana, Bureau of Business and Economic Research, Surveys of UM Students and Employees, unpublished data, (Missoula, MT, 1987).

Copies of the full impact report are available for \$10. Contact the Bureau of Business and Economic Research, School of Business Administration, University of Montana, Missoula, MT 59812 or call (406) 243-5113.

Paul E. Polzin is director, Bureau of Business and Economic Research, University of Montana, Missoula. He is also professor, Department of Management in UM's School of Business Administration. He directed the UM impact study.

Mary L. Lenihan, editor of the Quarterly, is a BBER researcher. She administered all the surveys used to collect data for the impact study.

Caroline P. Haefele was BBER's graphics/publications coordinator. She recently moved to San Francisco.

Other BBER personnel who worked on the impact study include Tat P. Fong, who compiled much of the statistical data and performed statistical analysis; Susan Selig Wallwork, who designed the survey questionnaires; Jim Sylvester, who did much of the computer programming and data processing; and Kathleen Cassidy, former BBER secretary, who did the word processing.



# THE MONTANA POLL

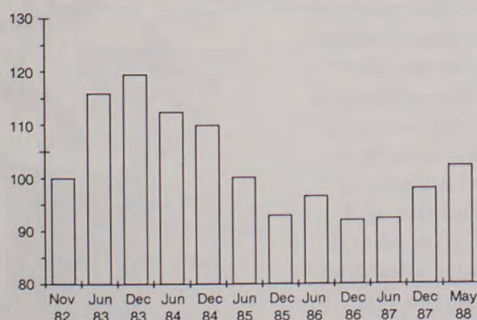
**T**he Montana Poll is co-sponsored by the Great Falls Tribune and the Bureau of Business and Economic Research, University of Montana. The quarterly poll, conducted by the Bureau and directed by Susan Selig Wallwork, is based on a minimum of 400 telephone interviews with Montanans aged eighteen and older. The interviews are conducted by Bureau interviewers from its offices on the university campus in Missoula. Telephone numbers are randomly generated by computer, using the Bureau's random digit sampling program, and the interviewers then use a second random sampling procedure to select the person in the household to be interviewed. This procedure eliminates interviewer choice in selecting the respondent and also assures selection of a representative sample.

Distribution of the sample based on age, sex, and residence compare favorably with available data on the state population and, thus, the poll results are considered to be representative of Montana's actual adult population.

As with all sample surveys, the results of the Montana Poll can vary from the opinions of all Montanans because of chance variations in the sample due to the use of random sampling procedures. With a minimum statewide sample of 400, the overall results are subject to a margin of error of five percentage points either way, 95 percent of the time, because of chance variations. That is, if one talked to all Montanans with phones during the survey period, there is only one chance in twenty that the findings would vary by more than five percentage points either way. Findings for smaller subgroups of respondents within the overall sample (subsamples based on age, sex, residence, income, etc.) are subject to a somewhat higher margin of error, which would vary depending on the size of the respective subsamples.

Of course, Montana Poll results could also differ from other polls because of differences in the exact wording of questions, different sampling or interviewing methods, and differences in the dates or time periods when the interviews were conducted.

Figure 1  
Index of Consumer Sentiment  
Montana  
1982-1988



Source: University of Montana, Bureau of Business and Economic Research, Survey of Consumer Sentiment and the Montana Poll.

■ The most recent Montana Poll indicates that Montanans are feeling more optimistic than they have in awhile about the state's economy. Turn to page 12 for more details.

Mary L. Lenihan, Quarterly editor is associate director of the Montana Poll. Other BBER staff members who work on the Montana Poll include Jim Sylvester, who is responsible for computer programming and data processing, and Georgia Greer, who is responsible for word processing.



# Consumer Sentiment Up

## Montanans Feeling Better about the Economy

By Mary L. Lenihan

Montana consumers felt better about the state's economy in May. The Montana Index of Consumer Sentiment rose in late May, compared with last December, which continued a trend that began in summer 1987.

negative outlook (47 percent) still far outdistanced those with a positive outlook (25 percent), it was the smallest proportion expressing negative sentiments since December 1984.

Also contributing to the Index

regional and other differences. College graduates and those earning more than \$35,000 in household income were especially favorable about the housing market. Those aged eighteen to

■ ***Montanans' improved outlook toward the economy comes at a time when consumers feel positive about the economy nationwide.***

The Index of Consumer Sentiment is compiled by the University of Montana Bureau of Business and Economic Research in conjunction with the Montana Poll, which is co-sponsored by the Bureau and the *Great Falls Tribune*. The latest poll, conducted May 25-31, questioned 414 adult Montanans from across the state.

The Index, computed from five questions asked of Montanans every six months, stood at 102.4, up from 98.1 in December and 92.4 last June.

Montanans' improved outlook came at a time when consumers nationally also felt positive about the economy. The trend of continued optimism underscored another finding of national economic observers, that last October's stock market crash did not dampen consumer enthusiasm.

The key reason for the improved outlook in Montana was that Montanans felt less pessimistic about the state's short-term prospects than they had in recent years. While the proportion with a

climb was a small increase in those who said they personally fared better economically over that previous twelve months. Corresponding with that, fewer Montanans reported a worsened economic situation than had said so in December.

These findings were consistent across the state, with no regional and very few other differences. However, the poll ended just before workers at several Champion International plants in western Montana went on strike.

Also included in the poll were questions regarding Montanans' general outlook toward the markets for various consumer items. Here the sentiments were very optimistic on homebuying, a continuation of a two-year trend; sentiments were moderately optimistic concerning the markets for automobiles and major items such as furniture and appliances. The attitudes regarding major items are included in the calculation of the Index; the others are not.

These results revealed some

thirty-four, those with at least some college education, and those from the state's seven most populous counties (Cascade, Flathead, Gallatin, Lewis and Clark, Missoula, Silver Bow and Yellowstone) reported a rosier outlook toward the automobile market. Montanans aged eighteen to thirty-four were more optimistic about the major household items market. □





# A Profile of Montana Women CPAs

**M**ore American women work than ever before. During the last twenty years, record numbers of women joined the labor force. This shift resulted in impacts ranging from increased demand for child-care services to revolutionary changes in professions formerly dominated by men.

The accounting field is one such profession. The ranks of recently certified public accountants contain increasing numbers of women, and the nation's college and university accounting programs are enrolling larger and larger proportions of women. For example, in 1984, women constituted 46 percent of those earning accounting degrees and 40 percent of those entering public accounting. This represents a quadrupling of the number of women entering the profession over the past decade, and makes accounting among the fastest changing of the professions in this respect.

For all the attention paid to women's employment trends on the national scene, no data are available concerning the status of women CPAs in Montana and other western states. The purpose of this study was to provide an initial profile of the Montana woman CPA.

This study is based on a 1987 mail survey of all Montana women CPAs who were members of the Montana Society of CPAs. The study team sent each a letter explaining the survey. Questionnaires were mailed two weeks later. Three weeks after that, two-thirds of those queried had responded. This is an extremely high response rate for a survey of this type. Since the questions were primarily demographic rather than issue-oriented, the nonresponse bias is probably minimal.

By Franklin P. Plewa  
Ronald P. LeBlanc  
Ronald D. Balsley



UM photo by Howard Skaggs

UM business students prepare for the CPA exam next spring. Women outnumber men in the CPA review class.

## Personal Characteristics

Despite the large number of women enrolled in college accounting programs, the largest single group (49 percent overall) of women CPAs responding to the Montana survey said they are between the ages of thirty and thirty-nine. One-fourth (25 percent) said they were between forty and forty-nine years of age, and 17 percent said they were twenty-five to twenty-nine, or relatively recent

college graduates. The average age of all respondents was thirty-six years.

Montana women CPAs appear to juggle careers with family responsibilities. Nearly three-fourths (73 percent) said they are married. Another 13 percent said they were divorced or separated, and a similar proportion reported they had never been married.

## Current Professional Status

Montana women CPAs work in a variety of situations at many levels. As Table 1 indicates, currently 40 percent are not employed in public accounting. Approximately half are employed

by private businesses, while the rest hold positions in nonprofit groups, education, or government.

Of those employed in public accounting, the overwhelming majority (79 percent) work for local



firms, while 17 percent work for regional firms and the remaining 4 percent for national firms. This is not surprising, considering that few national accounting firms maintain Montana offices.

In terms of job responsibility, Montana women CPAs reported a variety of job titles. Of those in

public accounting, nearly two-thirds reported job titles that implied supervisory positions (Table 2). Nearly one-third of this group reported being a partner or sole proprietor of their firm. In the non-public accounting sector, nearly three-fourths reported job titles that included policy-making or supervisory responsibilities.

Table 3 shows the employment experience of women CPAs in Montana. Since women entered the accounting profession relatively recently, the average number of years of accounting experience is fairly low. About 60 percent reported fewer than ten years in the profession, and only 15 percent of those answering the questionnaire said they had more than fourteen years of total experience. Sixty-four percent said they had been at their present position five years or less.

Table 4 shows salary data. Most (91 percent) of the survey

respondents said they work full-time. Again, reflecting relatively recent entry to the profession, many of those participating reported salaries in the lower ranges. More than 40 percent said they earned less than \$25,000 in 1987. The latest national data are for 1985. They show over one-fourth of accountants earning more than \$40,000 annually. By comparison, only 8 percent of the Montana women CPAs participating in the survey reported earning that much. If figures were adjusted for inflation, the discrepancy would be even greater.

One may speculate that as more women enter the profession, and as those who have already entered gain more experience, the salaries will increase. However, these data reflect two well-known patterns, that incomes in all professions and other employment categories in Montana lag behind national figures, and that women's incomes in general lag behind men's.

**Table 1**

**Employment Status  
Montana Women CPAs  
1987**

Public accounting	60%
Education	6%
Government	12%
Private sector	18%
Nonprofit	3%
No response	1%

**Table 2**

**Job Titles  
Montana Women CPAs  
1987**

**Public Accounting**

Partner/sole proprietor	32%
Manager	11%
Senior/supervisor	20%
Staff	36%
Other	1%

**Non-public Accounting**

Government policy maker	5%
Government supervisor	20%
Government non-supervisor	5%
Private policy maker	17%
Private supervisor	20%
Private non-supervisor	7%
Nonprofit policy maker	5%
Nonprofit supervisor	1%
Education - teaching	7%
Education - administration	1%
Other	12%

**Table 3**

**Years of Accounting Experience  
Montana Women CPAs  
1987**

Number of Years	All Accounting	Public Accounting	Current Position
5 years or less	30%	47%	64%
6-9 years	31%	20%	21%
10-14 years	20%	11%	11%
15-24 years	11%	5%	2%
25-39 years	3%	3%	—
40 years or more	1%	1%	—
No answer or none	5%	15%	3%

Note: Totals do not add to 100 due to rounding.

## Professional Training and Development

Perhaps because the accounting profession is in a period of transition from being predominately male, nearly half the Montana women CPAs reported that they made their decision to

become an accountant after completing their undergraduate work (Table 5). The other half said they made that choice while in high school or as undergraduates. Over a third made the choice after college and some work experience, which suggests that the accounting profession may be becoming a more attractive career choice for women. Nearly all the women CPAs

participating in the survey (97 percent) said they have baccalaureate degrees. Several said they had more than one degree, including master's degrees and doctorates. Two-thirds reported undergraduate accounting majors, 18 percent majored in other business areas, and the rest were non-business majors.

## Reasons for Changing Positions

The survey also asked Montana women CPAs if they had changed jobs within the last five years. More than half said they had. Those who had changed jobs were asked why.

The reasons indicate women CPAs are no different from men in their desire for advancement (Table

6). Half of this group said they changed positions because they wanted better professional opportunities. Dissatisfaction with poor working conditions ranked second, followed by the desire to change to a different type of work. They also listed several other reasons. About one in ten in this

group cited sexual discrimination in the workplace as a reason for changing positions. □

*The authors teach at Idaho State University in Pocatello. Franklin Plewa is an assistant professor, Ronald LeBlanc an associate professor, and Ronald Balsley a professor, all in the College of Business.*

**Table 4**

### Annual Salary Montana Women CPAs 1987

Under \$15,000	7%
\$15,000 - \$24,999	37%
\$25,000 - \$29,999	19%
\$30,000 - \$39,999	27%
\$40,000 - \$49,999	5%
\$50,000 and above	3%
No response	2%

**Table 5**

### Decision to Become a CPA Montana Women CPAs 1987

In high school	16%
As an undergraduate	35%
After receiving undergraduate degree	8%
As a graduate student	3%
Career change after work experience	35%
Other	3%

**Table 6**

### Reasons for Changing Positions Montana Women CPAs 1987

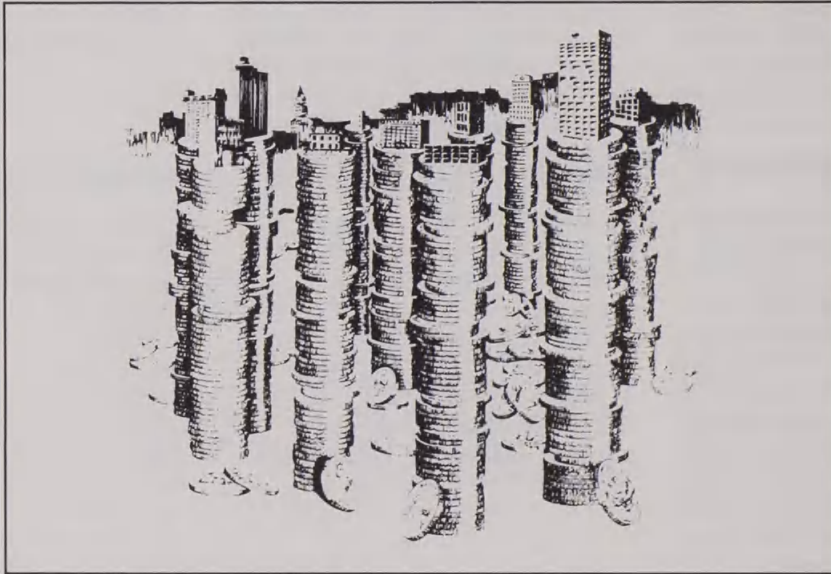
	Percent Indicating Reason Item Was a Factor
Better professional opportunity	51%
Long hours/poor working conditions	31%
Change to different type of work	30%
Limited chance for promotion	28%
Promotion	26%
Better salary	24%
Family responsibilities	18%
Spouse's transfer	17%
To become self-employed	12%
Excessive travel	12%
Sexual discrimination	12%
Other reason	24%

Note: This question was asked of the 52 percent of all respondents who said they had changed jobs in the last five years. The percentages refer to just this group.



# Public Sources of Business Financing

By Paul Larson



Many Montanans claim that Montana is a "capital short" state. Others disagree, saying that risk capital flows freely to promising investment opportunities, wherever they are located. While that debate continues, the Montana business community should be aware that there are a number of sources of public funds for worthy Montana businesses. The purpose of this article is to describe those sources, outline the application procedures, and review recent program changes.

A significant number of federal and state economic development programs exist in Montana, but most Montana business people do not clearly understand what the programs are or how to use them. This article describes four of the major economic development programs that provide capital to Montana companies: the Small Business Administration; the Montana Board of Investments'

Coal Tax Loan Program; the Community Development Block Grant Program; and the Montana Science and Technology Alliance. The discussion of each includes its purpose, eligibility requirements, program details, application procedure, and program results.

## Small Business Administration Loans

The purpose of the federal Small Business Administration (SBA) guaranteed loan program is to encourage financial institutions to make loans to small businesses. The great majority of SBA loans originate from its "regular business loan" program. Most of these loans are made by approved financial institutions and "guaranteed" by the SBA, meaning that if a

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***The primary objective is investment in loans to businesses that will strengthen the Montana economy.***

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company defaults on a loan, the SBA will pay the bank a certain percentage of the original value of the loan (up to 90 percent).

### Program eligibility

Only for-profit organizations are eligible for SBA loan assistance, and they must meet the SBA's size requirements for being considered "small." The size limits vary with types of industries, but some general guidelines are:

- A retail business may not exceed \$3.5 million to \$13.5 million in annual sales, depending on the industry.



- A manufacturer must have fewer than 500 to 1,500 employees, depending on the product(s) manufactured.
  - A wholesaler must have fewer than 100 employees.
  - A service business must have annual sales less than \$3.5 to \$14.5 million, depending on the type of service business.
  - Construction businesses may not exceed \$9.5 to \$17 million in annual sales, depending on the industry.
  - An agricultural firm must have annual receipts of less than \$.5 million to \$3.5 million, depending on the industry.
- (For exact size requirements, contact the SBA office in Helena.)

Certain types of businesses are not eligible for SBA loans. These include firms involved in speculation or investment in real-estate properties (rental), and companies creating and/or distributing ideas or opinions, such as newspapers, magazines, and academic schools.

### Program details

The maximum value of the guaranteed portion of a loan is \$500,000, while the national average is \$175,000. There is no minimum value, although most banks do not want to consider loans for less than \$20,000-\$50,000 because of the processing costs involved. Owners are generally expected to contribute one-third to one-half of the funds necessary to operate the business. Loan maturity of the loan can be up to twenty-five years, depending on use, while the national average term is eight years. Interest rates are negotiable between the bank and the borrower, subject to SBA maximum limits. In general, loans

with maturities greater than seven years may not have interest rates greater than 2¾ points over the prime rate, while shorter term loans' interest rates may not exceed 2¼ points over prime.

### Application procedure

The SBA has the same general expectations of loan applicants as banks: character, capacity, and collateral. Applicants are required to submit a personal history, personal financial statements, three years' business operating data and a current balance sheet, and at least a one-year cash-flow projection. To apply for an SBA "regular" loan, the above information should be taken to a commercial lender. Approximately 90 percent of the banks and

savings and loan institutions in the state are authorized to process SBA loans. If a firm's bank does not handle SBA loans, the Helena SBA office can provide the names of local SBA lenders. Loans can be processed in ten to twenty days on average, once an application arrives in the Helena office.

### Program results

The Montana SBA office approved 465 loans in 1987, all but five of them under the loan guarantee program. The total value of the loans was \$77,000,635. According to SBA officials, approximately 50 percent of all loan requests were approved on first review, and another 25 percent were approved after additional information was submitted.

## The Coal Tax Loan Program

**T**he Montana Board of Investments (BOI) is a state development agency which seeks to strengthen and diversify Montana's economy. The BOI receives approximately \$10 million annually in coal tax trust funds, which it uses to foster loans to Montana businesses. The purpose of the Coal Tax Loan Program is to encourage Montana financial institutions to make fixed-rate, long-term loans to Montana companies. The BOI seeks to strike a balance in providing financing at reasonable rates and still maintain a good return on investment for the state.

### Eligibility requirements

Coal tax loans are limited, both by state law and by the rules adopted by the board, to investments in businesses that will have a "long-term benefit to the

Montana economy." The board has determined that:

- The primary objective is investment in loans to businesses that will strengthen the Montana economy. Those that have the potential to maintain and create jobs, or that increase per capita income or future tax revenues to the people of Montana will comply with the statute that authorized coal tax loans.
- In considering whether an applicant will maintain and create jobs, the board will consider whether the applicant's proposed endeavor will displace existing jobs of competing Montana businesses.
- Loans to any governmental entity or non-profit corporation will not be funded under this program.



- At the time an application for financing is submitted, the financial institution submitting the application shall certify that the loan for which financing is sought has not been classified in its most recent examination report.
- While a minimum or maximum loan limit has not been established, loans of \$500,000 to \$3 million will be targeted.

### Program details

The board oversees three programs in which funds are invested: a Business Loan Participation Program; Economic Development Linked Deposits; and Federally Guaranteed Loan Program.

#### **Business Loan Participation**

**Program:** The BOI Business Loan Participation Program may be used to finance commercial loans (among several other types of loans) and is designed to allow approved Montana financial institutions the opportunity to "sell" up to 80 percent of an eligible business loan to the Board of Investments. The board, in essence, then owns a participation interest in both the financing and the security for an approved commercial loan that is serviced by the originating financial institution. Funds are targeted to long-term fixed-rate loans that have the potential to positively benefit economic development within the state. Through this program, the originating institution benefits by "leveraging" available funds beyond imposed lending limits, by receiving a relatively high yield on its share of the loan, and by affording its commercial customers access to financing at terms that were previously unavailable. Borrowers that use this program will also benefit by receiving long-term funds

at an attractive interest rate.

In general, this program may be used to fund the purchase of land, building, equipment, machinery, building expansion or repair, or working capital, subject to certain conditions.

#### **The Economic Development Linked Deposit Program:**

Through this program, the BOI places a long-term deposit with an approved financial institution on the condition that the financial institution use the proceeds of the

(SBA, BIA, FmHA, FAA, or EDA) on a fixed-rate loan to a business that is eligible for board investment may sell the federally guaranteed portion to the BOI at a pre-established rate. The most common use of this program is for loans guaranteed by the SBA. The purpose of this program is: to establish an active secondary market for fixed-rate federally guaranteed loans in Montana; to allow approved financial institutions the opportunity to provide their commercial customers

***The Montana Board of Investments receives approximately \$10 million annually in coal tax trust funds, which it uses to foster loans to Montana businesses.***

deposit to finance a corresponding fixed-rate loan to a specific borrower that is eligible for BOI investments. The deposit must be secured by state collateral and pledging requirements. The rate to the borrower on the supported loan is "linked" to the return the board receives on its deposit; although the board assumes no risk on the underlying business project, the financial institution is assured a specific interest point "spread" for the duration of the loan. This program removes the market risk to the financial institution in making a fixed-rate loan.

Funds from Economic Development Linked Deposits may be used by financial institutions to make loans for working capital, interim construction, inventory, site development, acquisition of machinery, equipment and buildings, or other types of loans.

#### **The Federally Guaranteed**

**Loan Program:** Through the BOI Federally Guaranteed Loan Program, financial institutions that have secured a federal guarantee

fixed-rate financing at a lower rate than was previously possible; and to increase local lending capacities when loan demand is high. Generally, the board will only consider purchasing the guaranteed portion of loans originated for the purpose of using this program.

Businesses must meet the eligibility requirements for BOI financing, and most types of business loans that are eligible for a federal agency's guarantee may be funded indirectly through this program. This generally includes the purchase of land, buildings, equipment, machinery, building expansion or repair, inventory, or funds for working capital.

### Application procedure

Montana companies can apply directly to a BOI-approved financial institution for Coal Tax Loans. At this point there are 109 approved institutions in the state, and the BOI will send a list of them to any inquirer. The institution and the borrower together make application for the



loan, and the paperwork is not much different from that for an SBA loan. A loan officer at the institution can advise which of the three Coal Tax Loan Programs is appropriate. If the Federally Guaranteed Loan Program is chosen, borrowers first apply to the federal agency, and once the guarantee is approved, application is made to BOI. From the borrower's perspective, it is not much different than going to a bank for a direct loan; however, the borrower needs to be sure that the bank is an approved BOI financial institution.

Forward commitment fees for Coal Tax Loans are based on the period of time required to complete the project for which the money is used. In the case of money being used for working capital, the

project is in place immediately. For construction loans, completion may take up to a year. The BOI has approved the following forward commitment fees:

Period	Fee
1 to 90 days	1/4 percent of the amount committed
1 to 180 days	1/2 percent of the amount committed
181 to 270 days	an additional 1/2 percent of the amount committed
271 to 360 days	an additional 1/2 percent of the amount committed

## Program results

As of June 30, 1988, the BOI had funded 118 Coal Tax Loans, totaling nearly \$34 million. Loans have been used by trucking firms, lumber companies, tourism attraction and facilities operators, cherry growers, food processors, plastics manufacturers, dairies, furniture manufacturers, specialized tool manufacturers, and others. Of the total loan portfolio, 53 percent was in manufacturing, 28 percent in agriculture/forestry/fisheries, 14 percent in services, 7 percent in transportation, and the remainder scattered among other industry classifications.

## Community Development Block Grant Program

The Community Development Block Grant (CDBG) program provides federal funds for economic development, housing, and public facilities. The economic development category is designed to stimulate investments in businesses by providing long-term, low interest loans to firms that will help create or retain jobs for low to moderate income persons. The program is intended to provide jobs for low and moderate income persons and increase their standard of living.

### Eligibility requirements

Just about any Montana business is eligible for the CDBG program, but firms must demonstrate that 51 percent of the jobs directly created

or retained will be filled by low to moderate income persons. A one-to-one funding match must come from other sources. For example, if \$200,000 is sought in CDBG funds, at least \$200,000 in new investment must be raised from other sources.

### Program details

CDBG funds may be used for land acquisition, construction, remodeling, equipment, working capital, employee training, or other purposes. The maximum amount of a CDBG economic development grant is \$375,000, which includes the costs of local administration. While there is no minimum amount, the application process takes considerable time and effort, so businesses should probably consider other sources of capital for relatively small loans.

Loan lengths vary with the types of assets financed but generally are longer term than could be financed through conventional bank loans. Interest rates are low, at

approximately half of the U.S. Treasury Bond rate. Deferral of payments is a possibility, whereby initial repayment on the loan is not made until up to three years after the loan is received. There are typically three separate competitions for loans during the year.

To be considered for a CDBG loan, a company must be "sponsored" by its local government — usually a town, but a county in certain situations. The program is of considerable value to the sponsoring government unit. If the loan is approved, the CDBG funds are granted to the sponsoring city, which in turn loans it to the company. When repayment occurs, it is made to the city, not the federal government, which the city in turn can use for further economic or community development. Each town is allowed only one economic development grant per year, so there may be local competition for loan sponsorship.



## Application procedure

Companies interested in a CDBG loan should first contact the Montana Department of Commerce, which will send materials describing the program and the application process. The Department of Commerce will then put the firm in contact with the local government unit which would be responsible for sponsoring the loan application. The documentation required of a loan applicant is extensive, including a

and working capital. Helena was granted \$372,250 for a loan to Win-Trol, Inc., which manufactures window controls. Stevensville received \$375,000, which it loaned

to Turner Engineering, Inc. Turner contracts with the Department of Defense and the loan was used for additional production equipment.

***The CDBG program is intended to provide jobs for low and moderate income persons and increase their standard of living.***

thorough business plan, an analysis of how low and moderate income people will be affected, a hiring and training plan, and a description of how the project will be managed. The Department of Commerce Business Assistance Division can assist in preparing applications. Two public hearings must be held in order for the local government to sponsor the project. Once an application is complete, it is sent to the department's Local Government Assistance Division for evaluation and it competes with other proposals for funding.

## Program results

The total amount granted in 1987 was \$1.6 million, and will be approximately that amount in 1988. In the 1987 fall competition, three grants were awarded. The City of Havre received \$273,000, which it loaned to Rocky Mountain Packing Co. for new equipment, building improvements,

## The Montana Science and Technology Alliance

**T**he Montana Science and Technology Alliance (MSTA) was created by mandate of the 1985 Montana Legislature to foster scientific and technical development in the state. Its purpose is to "strengthen the state's economy through development and application of innovative science and technology, both in the laboratory and the marketplace." The 1985 Montana Legislature appropriated \$2 million for investment in the 1985-1987 biennium, and the 1987 session appropriated another \$2.75 million for the 1987-1989 biennium and also created a \$16 million seed capital fund, to be used as a source of risk capital. The purpose of the fund is not to provide investments at subsidized rates, but rather to provide capital where it is currently not available to Montana technology-based businesses.

The Montana Supreme Court rendered a decision on July 21, 1988, which significantly limits MSTAs ability to make investments. The court decided that House Bill 700, which would have allowed the alliance to issue up to \$16 million in bonds over the next five years to finance seed capital investments, violated the Montana Constitution in three ways. First, the statute violated

constitutional prohibition against pledging the credit of the state to secure bonds, the proceeds of which would be used to benefit private companies. Second, it contained an improper delegation of legislative authority. Third, the statute contained a defect in the title of the bill.

As a result of this decision, MSTAs has chosen not to make any further investments in projects not now under contract. During the remainder of the biennium, the alliance is managing its existing portfolio of investments and working with business and political leaders to develop a new means of funding so that it can continue making technology investments. Staff members of MSTAs are optimistic about finding another funding mechanism and hope to continue most of the programs currently in place. Although MSTAs is severely hampered by the court decision, the program results to date are described below.

## Program results

As of April 1988, the MSTAs board has made seven investments in the Research Capability Development program, which is designed to create new and strengthen existing research



facilities. Six of the seven investments made have been tied to Montana State University. The amounts of the investments range from \$28,999 to \$200,000. The investments, totaling \$875,712, were used to strengthen the technical research capabilities of the recipients.

The Applied Research program provides investments in research projects that have potential for successful commercialization. Nine projects have been funded through this program, six of them tied to the university system. The total amount invested as of August 1988, was \$925,997, ranging from \$10,169 to \$350,000. Montana State University received four, one of them a cloud seeding project to increase early season snow at Bridger Bowl ski area. Hydro Processing & Mining of Montana, Inc. received funds to construct and operate an air-sparged hydrocyclone plant which processes mill tailings from mines in Montana. Dr. Nellie Stark at the University of Montana was funded to research the feasibility of domestic cultivation of huckleberries. Two private companies received funding, Life Resonances of Bozeman, and Western Energy Co. of Butte. Life Resonances is developing technology using electric and magnetic fields to control living cell systems, while Western Energy is studying how to remove moisture, ash, and sulfur from Montana coal.

Thirteen investments have been made under the Technical Assistance and Technology Transfer program, the purpose of which is to stimulate the transfer of technology from the laboratory to the marketplace. Investments include funding of: the Billings Chamber of Commerce to conduct a business incubator feasibility study; the Development Corp. of Montana in Helena to create a network of Montana investors interested in investing in

entrepreneurial firms in the state; and Wood Science Laboratory of Corvallis to complete development of fabricated wood joists with minimally machined lodgepole pine flanges and flakeboard webs. A total of \$438,620 has been issued through this program, with amounts ranging from \$7,100 to \$99,840.

Seven investments have been made in the Seed Capital Investment program, which is designed to provide investments in early stage ventures which are developing technology-based and/or innovative products or

services. Total investment in this program has been \$720,000, ranging from \$20,000 to \$200,000. The major investments made were with Chromatochem in Missoula, which manufactures high performance affinity chromatography filtering products, GeoResearch Inc. in Billings which builds remote electronic control animal data collection systems, Health Incentives in Missoula which offers innovative health care programs, and Infotech in Butte which has developed computer software to control tire-related expenses in the mining industry. □

#### Agencies mentioned in the article:

Small Business Administration  
Federal Office Building, Room 528  
301 South Park, Drawer 10054  
Helena, MT 59626  
449-5381

Coal Tax Loan Program  
Board of Investments  
Capitol Station  
Helena, MT 59620-0125  
442-1970

Community Development Block Grant Program  
Local Government Assistance Division  
Montana Department of Commerce  
Cogswell Building, Room C-211  
Helena, MT 59620  
444-3757

Montana Science and Technology Alliance  
Montana Department of Commerce  
46 North Last Chance Gulch, Suite 2B  
Helena, MT 59620  
449-2778

*Paul Larson is assistant professor of management, School of Business Administration, University of Montana, Missoula. He directs the school's entrepreneurship program, which assists fledgling businesses with all aspects of their start-up process.*







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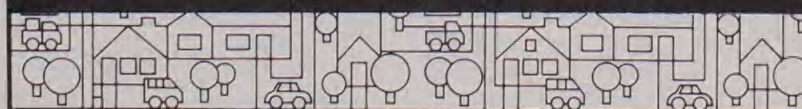
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